

Mr. D. J. Dingle
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MANITOU-BARVUE

M I N E S L I M I T E D

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ANNUAL REPORT
1966

FOR THE YEAR ENDED DECEMBER 31

MANITOU-BARVUE MINES LIMITED

OFFICERS

H. W. KNIGHT *President*
D. L. CRAMP *Vice-President*
M. A. COOPER *General Manager*
S. A. PERRY *Secretary-Treasurer*
G. D. PATTISON *Assistant Secretary*
W. E. ESSERY *Assistant Treasurer*

DIRECTORS

H. W. KNIGHT Toronto, Ont.
EWART R. ANGUS Toronto, Ont.
M. A. COOPER Toronto, Ont.
S. A. PERRY Toronto, Ont.
J. I. CUMMINGS Ottawa, Ont.
D. L. CRAMP Sese kinika Lake, P.O., Ontario
G. D. PATTISON Toronto, Ont.

MINE MANAGER

A. K. CAMPBELL Val d'Or, Que.

CONSULTING GEOLOGISTS

W. F. JAMES, B. S. W. BUFFAM AND M. A. COOPER . . . Toronto, Ont.

AUDITORS

THORNE, GUNN, HALLIWELL & CHRISTENSON . . . Toronto, Ont.

TRANSFER AGENT AND REGISTRAR

GUARANTY TRUST COMPANY OF CANADA Toronto, Ont.

HEAD OFFICE

SUITE 509, 25 ADELAIDE ST. W. Toronto, Ont.

MINE OFFICE

VAL D'OR, QUEBEC

ANNUAL MEETING

Tuesday, June 27, 1967 - 12:00 o'clock noon, Toronto Time.
Suite 510, 25 Adelaide St. West, Toronto, Ontario.



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MANITOU-BARVUE MINES LIMITED

Suite 509, 25 Adelaide Street West

TORONTO 1, ONTARIO

Report of the President and Directors

To the Shareholders,

MANITOU-BARVUE MINES LIMITED.

We submit herewith the Annual Report of your Company including the financial statements for the year ended December 31, 1966, with Auditors' Report and the General Manager's Report of the operations at the mine during the year.

Profits for 1966 were substantially increased over 1965 because of the higher prevailing copper prices and a slight increase in grade of the copper ore treated. The grade of the zinc ore mined was somewhat lower than the previous year. Operating profit for 1966 was \$867,778 compared to \$468,371 in 1965. Net income was \$867,778 compared to \$431,867 in the previous year.

During 1966 \$1,454,518 principal amount of the Company's Convertible Sinking Fund Debentures were purchased for cancellation reducing the outstanding debenture indebtedness to \$1,994,823.

Reserves of copper and zinc ores have decreased during the year, both in tonnage and grade. The copper reserves at the end of 1966 were 354,227 tons with a grade of 0.82% copper. Although this is only a slight decrease in tonnage over the previous year, the grade is lower by about 10%. The zinc ore reserves have decreased over the previous year by approximately the amount mined. The surface exploration program which was carried out during 1966 failed to indicate any new ore.

A substantial decrease in earnings is expected in 1967 due to the lower grade of the remaining ore reserves.

On behalf of the Board,

H. W. KNIGHT,
President.

Toronto, Ontario,
May 31, 1967.

MANITOU-BARVUE MINES LIMITED

Report of the General Manager

The President and Directors,

MANITOU-BARVUE MINES LIMITED.

This report summarizes the results of operations at Manitou-Barvue Mines Limited for the year 1966.

Except for several shut downs due to electrical storms, hoist motor breakdown and ball mill shaft failure which totalled approximately four days, the mine and mill operated for 12 months.

MILLING:

The copper milling section processed 295,875 tons of ore during the year compared with 283,875 tons in 1965. The grade of the ore treated averaged 0.93% copper, as compared with 0.81% Cu in 1965. This increased grade accounts for the large increase in pounds of copper produced.

The amount of gold in the copper continued to decrease. There were 6,810 ounces of gold produced in 1966 compared to 7,885 ounces in the previous year.

In the zinc section of the mill 173,130 tons of ore were treated compared with 168,895 tons in 1965. The zinc and silver and lead content of the ore treated were lower than that treated in the previous year. The main reason for this decrease in zinc content is due to a gradual increase in amount of muck drawn from the low grade zone.

The slight increase in tonnage treated, was due to an increase in available hoisting time because of increased hoisting from upper levels.

The following table compares the grade of zinc ore treated in 1966 with that treated 1965:

	<u>1966</u>	<u>1965</u>
Zinc	3.72%	4.48%
Gold	0.026 Oz.	0.034 Oz.
Silver	2.75 Oz.	2.85 Oz.
Lead	0.32%	0.43%

The following table gives comparative metal production of 1966 and 1965:

	<u>Amount Produced</u> <u>1966</u>	<u>Amount Produced</u> <u>1965</u>
Zinc	11,654,648 Lbs.	14,125,658 Lbs.
Lead	904,538 Lbs.	1,137,710 Lbs.
Copper	5,219,725 Lbs.	4,301,416 Lbs.
Silver	371,647 Ozs.	366,508 Ozs.
Gold	6,811 Ozs.	7,885 Ozs.

MINING:

Exploration in the zinc zone was practically completed on all levels including 3990 without finding additional ore.

Exploration of the downward extension of the copper zone was carried out on the 3840 level with negative results. This zone is now being investigated on the 3090 level.

Stoping operations continued in the zinc zone on most levels from 2940 and 3990 levels and from 1410 to 1710, in the low grade zone. There was a gradual phasing out of lower level cut and fill stoping and an increase in muck from the low grade zone on 1710 level. At year end only two high grade cut and fill stopes remained below the 2790 level.

Stoping operations in the copper zone continued on all levels between the 510 and 2180 horizon.

ORE RESERVES:

The assured reserves as of December 31, 1966 are stated in the table below:

CLASS OF RESERVE:

	<u>Tons</u>	<u>AVERAGE GRADE</u>		
		<u>Ozs. Gold</u>	<u>Ozs. Silver</u>	<u>% Zinc</u>
(a) Zinc Ore 3990 to 2790 Levels				
Solid Ore	14,156	.034	2.80	5.08
Broken Ore	2,098	.008	4.18	4.98
	16,254	.031	2.98	5.07
(b) Zinc Ore Above 2790 Levels				
Shrinkage Zone				
Broken Ore	19,236	.011	5.31	1.68
Blast Hole Zone				
Stopes — Solid Ore	228,288	.044	0.50	2.95
— Broken Ore	85,415	.026	0.50	3.25
Pillars	133,930	.036	0.50	2.62
	447,633	.039	0.50	2.91
TOTAL ZINC ORE	483,123	.037	0.78	2.93
	<u>Tons</u>	<u>AVERAGE GRADE</u>		
		<u>Ozs. Gold</u>	<u>Ozs. Silver</u>	<u>% Copper</u>
Broken Ore	134,259	.005	0.11	0.66
Solid Ore	210,968	.011	0.16	0.93
TOTAL COPPER ORE	345,227	.009	0.14	0.82

During the year preparation of the low grade zinc ore between the 1410 and 1720 levels was almost completed. Since no new ore was added the assured reserves show a decrease of 128,000 tons.

At the year end the copper ore reserves had a net decrease of 5000 tons after mining approximately 296,000 tons. Most of this new ore was encountered in extensions of ore sections mined during the year, or was the result of increased copper prices which made it profitable to mine low grade material which was previously uneconomic.

COSTS:

Tabulated below are the mine operating costs for the year 1966 compared with similar costs in 1965:

	<u>1966</u>	<u>1965</u>
Mining	3.25	3.66
Development	0.28	0.17
Milling	1.09	1.00
Marketing	0.03	0.03
General	<u>1.26</u>	<u>.92</u>
	\$5.91	\$5.78

Development costs include the cost of a surface geophysical and diamond drilling exploration programme.

There were no capital expenditures during the year.

GENERAL:

A geophysical survey covering most of the mine property was completed. Nine diamond drill holes for a total of 3700 feet were drilled to check the indicated anomalies. Results of this programme were negative.

The efficient and effective services of the Mine Manager, Mr. A. K. Campbell, his staff and employees are acknowledged.

M. A. COOPER,
General Manager

Toronto, Ontario,
April 3, 1967.

MANITOU-BARVUE MINES LIMITED

Statement of Income

YEAR ENDED DECEMBER 31, 1966

(with comparative figures for 1965)

	<u>1966</u>	<u>1965</u>
SALE OF CONCENTRATES	3,737,689	3,191,759
OTHER INCOME	<u>5,533</u>	<u>3,348</u>
	<u>3,743,222</u>	<u>3,195,107</u>
OPERATING EXPENSES		
Development	131,286	77,108
Mining	1,522,239	1,658,137
Milling	512,447	455,273
General mine expense	589,975	450,823
Maintenance costs, Barvue Division		4,440
Administrative expense	47,945	48,056
Mining tax	64,552	25,899
Directors' fees	<u>7,000</u>	<u>7,000</u>
	<u>2,875,444</u>	<u>2,726,736</u>
OPERATING PROFIT (Note 1)	<u>867,778</u>	<u>468,371</u>
OTHER EXPENSES		
Bond interest		24,000
Loss on sale of fixed assets, Manitou Division		3,444
Loss on sales of Barvue Division inventory		<u>9,060</u>
		<u>36,504</u>
NET INCOME FOR YEAR (Note 4)	<u>\$ 867,778</u>	<u>\$ 431,867</u>

MANITOU-BARV

(Incorporated under the laws of the State of New York)

Balance Sheet

AS AT DECEMBER 31, 1965
(with comparative figures for 1964)

Assets

CURRENT ASSETS

	1966	1965
Cash	115,816	3,816
Short-term deposit	75,000	
Accounts receivable	39,385	2,744
Concentrates and precipitates, at estimated net realizable value ...	787,211	781,374
Supplies, at lower of cost and market	340,291	372,531
Prepaid expenses	10,854	17,636
	<u>1,368,557</u>	<u>1,178,101</u>

SPECIAL REFUNDABLE TAX

1,957

FIXED ASSETS

Mine buildings, plant and equipment, at cost (Note 1)	500,344	501,174
Mining lands and rights, including surface rights, at the consideration given therefor, consisting of 123,897 shares of capital stock valued at \$150,846 and \$90,651 cash	241,497	242,197
	<u>741,841</u>	<u>743,371</u>

\$2,112,355 \$1,921,472

Approved on

"M. A. COOPER," Director.

MINES LIMITED

laws of Ontario)

Sheet

BER 31, 1966

figures for 1965)

Liabilities

CURRENT LIABILITIES	1966	1965
Accounts payable and accrued liabilities	289,448	173,660
Provision for mining tax (Note 2)	52,500	23,000
Special refundable tax payable	1,957	
	<u>343,905</u>	<u>196,660</u>
LONG-TERM LIABILITIES		
5% Convertible sinking fund debentures (Note 3)		
In U.S. funds	1,069,029	1,069,029
In Canadian funds	925,794	2,387,232
	<u>1,994,823</u>	<u>3,456,261</u>
TOTAL LIABILITIES	<u>2,338,728</u>	<u>3,652,921</u>

Capital Stock and Deficit

CAPITAL STOCK (Note 3)		
Authorized, 8,500,000 shares of \$1 par value		
Issued, 2,899,673 shares (2,895,060 shares in 1965)	2,899,673	2,895,060
Less discount thereon (net)	675,118	677,425
	<u>2,224,555</u>	<u>2,217,635</u>
DEFICIT	2,450,928	3,949,084
Excess of deficit over capital stock	(226,373)	(1,731,449)
	<u>\$2,112,355</u>	<u>\$1,921,472</u>

of the Board:

"S. A. PERRY," *Director.*

MANITOU-BARVUE MINES LIMITED

Statement of Deficit

YEAR ENDED DECEMBER 31, 1966

(with comparative figures for 1965)

	<u>1966</u>	<u>1965</u>
DEFICIT AT BEGINNING OF YEAR	3,949,084	4,167,215
Add —		
Loss on disposal of Barvue Division fixed assets		230,643
Adjustment of prior years' taxes on interest payments to non- resident debenture holders		29,292
	<u>3,949,084</u>	<u>4,427,150</u>
Deduct —		
Net income for year	867,778	431,867
Gain on purchase for cancellation of 5% convertible sinking fund debentures	630,378	
Profit on sale of investment in Frebert Mines Limited		46,199
	<u>1,498,156</u>	<u>478,066</u>
DEFICIT AT END OF YEAR	<u>\$2,450,928</u>	<u>\$3,949,084</u>

MANITOU-BARVUE MINES LIMITED

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 1966

1. MINE BUILDINGS, PLANT AND EQUIPMENT:

No provision has been made for depreciation of buildings, plant and equipment since the inception of the company in 1950.

2. PROVISION FOR MINING TAX:

Assessments respecting duties payable under the Quebec Mining Act for the years ended December 31, 1959 to 1962 inclusive are being contested. An adverse decision could result in additional liabilities of approximately \$85,000.

3. CONVERTIBLE SINKING FUND DEBENTURES:

The 5% convertible sinking fund debentures mature December 31, 1977. Sinking fund payments of \$400,000 or 75% of the net profits of the company for the preceding year, whichever is the greater, are to be made for the redemption of the debentures on or before May 15 in each year. Such payments may be in cash or by deposit with the Trustee for cancellation of debentures purchased by the company from the holders. The principal amount of debentures redeemed, purchased or converted in excess of the amount required shall be credited against future sinking fund payments. During 1966 \$400,000 was deposited with the Trustee in satisfaction of the sinking fund obligation due in that year and the Trustee, by tender, purchased out of such funds for cancellation from various holders \$747,525 principal amount of debentures. In addition, during 1966 the company purchased for cancellation directly from various holders \$706,993 principal amount of debentures at a cost of \$424,145 and \$6,920 principal amount of debentures were converted into shares. The debentures purchased by the company and those converted into shares have been delivered to the Trustee for cancellation and since the aggregate principal amount thereof is in excess of the sinking fund obligation in respect of 1966 profits no further sinking fund provision is required.

Supplemental indentures provide that no interest be paid on the debentures for the years 1962 to 1967 inclusive.

The debentures are convertible into shares of the capital stock of the company on or before December 31, 1970, at the price of \$1.50 per share. During the year 4,613 shares were issued on conversion of debentures and 2,381,772 shares remain reserved for future conversion. The premium on shares issued during the year has been credited to discount on shares.

4. TAXES ON INCOME:

No provision for income taxes is required because of the availability for tax purposes of preproduction expenditures and capital cost allowances.

MANITOU-BARVUE MINES LIMITED

Auditors' Report

To the Shareholders of

MANITOU-BARVUE MINES LIMITED.

We have examined the balance sheet of Manitou-Barvue Mines Limited as at December 31, 1966 and the statements of income and deficit for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Subject to the omission of depreciation referred to in note 1, we report that in our opinion the aforementioned financial statements present fairly the financial position of the company as at December 31, 1966 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORN, MULHOLLAND, HOWSON & McPHERSON

Chartered Accountants

Toronto, Canada,

February 3, 1967.

